

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 6100

BILL NUMBER: HB 1855

DATE PREPARED: Oct 29, 1998

BILL AMENDED:

SUBJECT: Property tax deductions for property in living trusts.

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FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill provides that the property tax deductions for the elderly, blind, disabled, disabled veterans, and World War I veterans may be claimed by a trust if a qualified individual owns a beneficial interest in the trust. It makes conforming amendments to the statutes that do not take effect until March 1, 2001.

Effective Date: January 1, 2000; March 1, 2001.

Explanation of State Expenditures:

Explanation of State Revenues: The State levies a one cent tax rate for State Fair and State Forestry Funds on the assessed valuation of all taxable property in Indiana. Any additional deductions from assessed valuation would decrease the revenue derived from property tax for these two funds. This decrease should be minimal.

Explanation of Local Expenditures:

Explanation of Local Revenues: This bill provides that real property held in a trust would have the following deductions applied if the individual that establishes and transfers property into the trust is otherwise qualified to receive the deductions:

1) Age 65 or over:	\$1,000 AV
2) Blind or disabled:	\$2,000 AV
3) Disabled Veteran (10% Service Connected):	\$4,000 AV
4) Disabled Veteran (100%) or (10% + Age 62 or over):	\$2,000 AV
5) World War I Veteran:	\$3,000 AV

Effective March 1, 2000, the above deductions will increase three fold when the assessed value increases from the current 33 1/3% of true tax value to 100% of true tax value.

Under current law, "individuals" may qualify for these deductions. The State Tax Board does not interpret "individual" to include fiduciaries or trusts. This bill would allow trusts to receive these deductions if otherwise qualified.

This provision would cause some increase in the total dollar amount of property tax deductions. The actual amount of the additional deductions would not be known until applications are made and accepted. It is likely that these figures would be minimal.

Any additional deductions would reduce the property tax base. This would cause a slight shift in the property tax burden from those taxpayers (trusts) receiving the deductions to all taxpayers in the form of an increased tax rate.

The actual fiscal impact would depend upon the number of trusts that ultimately receive these deductions.

State Agencies Affected: State Board of Tax Commissioners; State Fair Board; Department of Natural Resources.

Local Agencies Affected: County Auditors.

Information Sources: